MVA INVESTOR NEWSLETTER

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Summary for week of 31 August 2015

- Stocks could move lower early but rebound late
- Dollar may extend its rally, especially in first half
- Crude oil could push higher but profit taking more likely later in week
- Gold choppy this week with weakness more likely early

US Stocks

After a wild week, stocks ended modestly higher despite Monday's massive sell-off. The Dow gained 1% closing at 16,643 while the S&P 500 finished at 1988. The week did not quite unfold as expected. The magnitude of Monday's rout was surprising although I thought some additional downside was likely at some point along the way given the approaching Saturn-Node alignment. The early week bounce looked plausible enough on Tuesday although that rebound failed by the close. It was only Wednesday's rally that befitted the bullish Sun-Jupiter conjunction. Buying extended into Thursday too with only a flat day on Friday on the more challenging Mercury-Node conjunction.

OK, now what? I didn't expect to see this kind of downside below 1900 for several more weeks but now that we've been there and have rebounded strongly, one wonders if the correction is actually finished and stocks can resume their upward climb to new highs. I don't believe that is the case as I think at very least we will get a retest of Monday's low, if not a full blown retest of 1820 although the time frame for such a move is now more uncertain. A quick move back below 1900 seems unlikely given the strength of the rebound so we may have to wait until mid-September for such a move. China appears to have unseated the Fed as the market's primary source of concern as the plunging Shanghai index mirrors growing worry that their economy as a whole is in recession. Of course, there is now ongoing discussion about the Fed's chances of raising rates on Sep 17th and how unlikely that now is given the uncertainty in global markets. On the other hand, Friday's favourable GDP number perhaps added some support

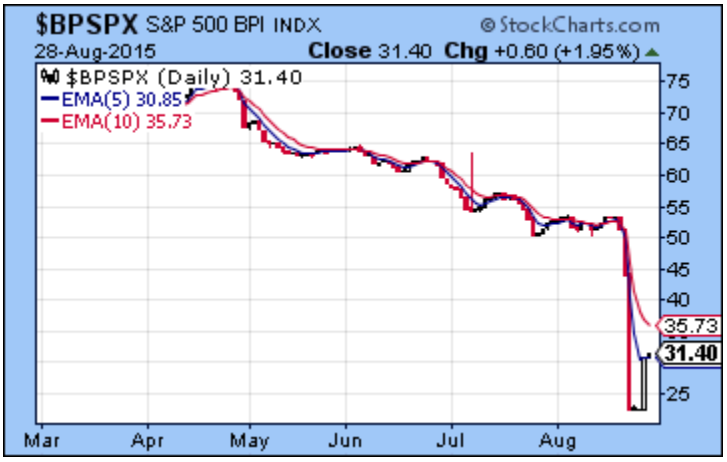
to the notion of a hike but the consensus is still that a hike won't happen just yet. We shall see. Since the planets look more difficult in mid and late September, I am tempted to think that will be the result of a hike which catches some investors off guard. That said, there may be other possible causes of another move lower such as more troubles out of China that defy any quick government remedy. The whole period from now until mid-October looks more vulnerable to declines but just how that negativity manifests is uncertain. I think we could move sideways and probably higher in early September and then fall again after that. But I would also not be surprised if we resumed the decline sooner than that. In other words, rallies should be viewed with skepticism regardless of when they happen.

The technical picture is bearish following the breakdown of support at 1900 on the way down. The SPX bounced before it matched its October low of 1820 although the Dow actually pushed below its October low. Stocks have now worked off their oversold condition from last week as they push towards resistance which is now near 2000. A move above 2000 would suggest a retest of 2040 might be possible – the previous support level. We may even see the 200 DMA (=2074) factor into the conversation at some point in the event that the rebound has some decent legs. In the event of a pullback, support is near 1950. Any move below that level would likely bring about a retest of 1900 at least and thereby increase the chances of a retest of the low at 1867. If the bulls fail to break above 2000 and we get a reversal lower below 1950 and then 1900, the odds will also increase for a lower low – perhaps back to 1820.

But the bulls did stage a powerful rally last week. Even more important perhaps was the weekly hammer candlestick which points the way to more upside ahead. This bullish interpretation is perhaps even more persuasive given the near-touch of the 200 WMA at 15,291 on the Dow weekly chart. Weekly stochastics are oversold and are trying to climb back above the 20 line. RSI is getting close to oversold also so that is another piece of evidence in favor of the bullish view. But bears can point to the Bullish Percent chart which remains in a bearish crossover and fell again last week despite the gain on the index. It is still quite oversold, however, so one would think it unlikely that it will fall much further. Meanwhile, the market at the center of this storm, Shanghai ($SSEC), dropped another 8% on the week as it tested its longer term support at 3000. The government stepped in once again and cut interest rates and produced a small rebound late in the week. There is some reason to expect this 3000 level could hold for a little while actually so that is another favorable condition for US stocks to trade off of. A further breakdown to long term support at 2200 would generally indicate worsening sentiment which would likely be felt overseas once again. If the bounce continues, the key resistance level to watch is 3450-3500.

This week may be somewhat bearish to start as Venus conjoins Mars. These two planets are usually negative when they come together although I would not expect too much downside here. Monday also features a Sun-Neptune opposition so that is additional bearish influence. I think the chances are good for a net negative outcome across both Monday and Tuesday but I'm not convinced we will see support at 1950 broken to the downside. Wednesday and Thursday may be more bullish as Jupiter forms a minor alignment with Uranus. Although Friday leans bearish on the Moon-Saturn opposition, I am reluctant to forecast a negative week overall. I tend to think the rebound will continue although the gains will likely be fairly modest. SPX 2000 will probably be tested as resistance at some point, although it is possible it will not be able to hold above that level, especially if Friday is negative.

Next week (Sep 7-11) sees a Monday closing for Labor Day. The early week leans bearish again as Venus ends its retrograde cycle while in aspect with Saturn. This has the potential for significant declines on the 8th (and the 4th for that matter) although the second half of the week looks more bullish as Venus aligns with Mercury and Pluto. Overall, this week is not a great candidate for breaking any major support levels. The following week (Sep 14-18) features the Fed meeting that everyone has been waiting for. Mars enters Leo early in the week so that introduces a negative energy. Mercury turns retrograde on Friday after the Fed decision so a reversal lower is more likely. While some midweek upside is likely, the week overall suggests rising downside risk, even if the indications are not as clear as I would like it. The late September Mars-Saturn square aspect looks quite bearish and should be enough to break down key support levels. Depending on where the market is by this time, it could mean 2000, 1960 or even 1900. Early October is also bearish as Mercury aligns with Saturn and the Lunar Node. I think we could get a significant interim low in the second week of October. A bounce in the second half of October is likely but then early November could see any previous lows retested as Venus enters Virgo. I'm not convinced this will be a lower low, however. In any event, November is likely to be somewhat volatile but I think we could begin a rebound at some point which lasts into December and January. This should be to another lower high (presumably lower than September's lower high – 2040?). February to April then should see another leg down.



Technical Trends	**Astrological Indicators**
Short term trend is UP (1 week)	bullish (confirming)
Medium term trend is DOWN (1 month)	bearish (confirming)

Long term trend is UP (1 year)	bearish (disconfirming)

Indian Stocks

Stocks slumped last week as China's economic problems sparked a global sell-off. The Sensex lost more than 3% on the week closing at 26,392. While I was leaning bearish last week, I did not anticipate the intensity of the down move. Monday was lower as expected on the Moon-Saturn pattern, but the Nifty smashed through support at 8300 as if it wasn't there. I thought we might see some rebound into midweek but only Tuesday was higher and Wednesday brought a retest of the lows at 7800. (!) As it happened, the late week turned out to be bullish despite my bearish assessment.

Suddenly, the market is in big trouble. I thought we might have tested 8000 by late September but we already did it last week. It is a surprising turn of events which reflects how vulnerable stocks are to further declines. While I thought this decline might have happened in September, the current situation does not mean that September will therefore see a rise. I still think we will have a lower low by the end of September or October. In that respect, my basic outlook has not changed significantly. September may be less bearish than I previously projected now, but it still seems unlikely to generate many gains. We could see some oversold bounces but they are unlikely to go very far. I think bears will generally remain in the driver's seat here for the next two months or so as they will take every opportunity to sell rallies. As before, the critical astrological pattern is an aspect between Saturn and Ketu (South Lunar Node) that is exact in mid-September. This is right around the time of the pivotal Fed meeting where rates could be hiked. Interestingly, markets are somewhat less attuned to the Fed now after all the damage done in China in recent weeks. Nonetheless, there is now a renewed hope that recent turbulence may persuade the Fed to put off raising rates yet again. Such a move could very well be bullish for stocks. Unfortunately, the planets do not offer any evidence that such an outcome is likely. Indeed, the planets seem to become more bearish after the Fed meeting on 17th September. This would tend to suggest that the Fed hikes rates, although it should be noted that other outcomes are possible also that would generate another sell-off.

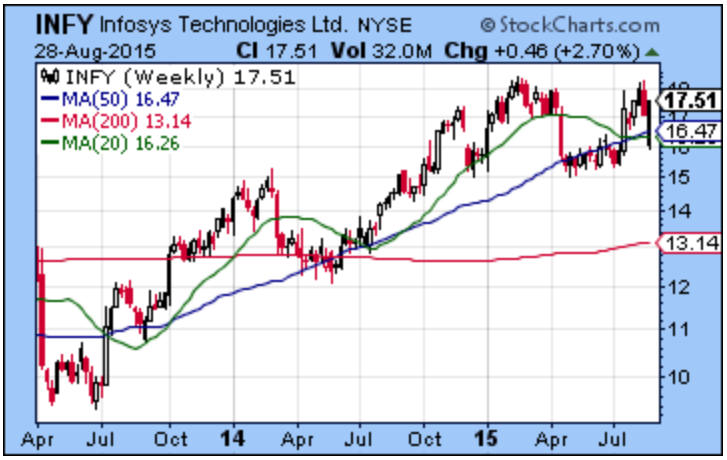
The technical outlook is very bearish now after key support at 7900-8000 was taken out. The second half rebound suggested a more bullish view for the short term although sellers moved in quickly as the Nifty approached resistance at the gap above 8100. This is still resistance now, with the next level of resistance representing a gap fill at 8300. Tuesday's piercing low matched the October 2014 low near 7700. If the market is adhering to its

mirror image here, we can expect a rebound to stop at 8180 which was the September 2014 high. I don't necessarily think this is a likely outcome but it is something to watch for.

The Nifty may be in a falling channel now. Support now may be closer to 7500 although the channel is not an exact one. There are many trapped bulls who bought at 8300 or above who are looking for any way to sell. I would think this favours a rebound that ends at or below 8300 before retesting Tuesday's low. Now that the Nifty has worked off its oversold condition (RSI above 30; stochastics above 20) it may gradually become vulnerable to move downside. Price is now far below the cluster of moving averages as the chart is becoming more bearish in its outlook. Once the 200 DMA begins to slope down, we could get a lot more downside as bulls throw in the towel. For the moment, there is still the possibility that stocks may recover quickly due to some major central bank intervention. The weekly BSE chart looks bearish now as stochastics is in a bearish crossover and has a long way to go yet. MACD is again in a bearish crossover while RSI can fall further. The only glimmer of hope for the bulls is the weekly hammer candle. It's red but it's still a hammer and therefore offers the possibility of a significant reversal higher in the coming days. There is some horizontal support at 25,000 might may help to slow any subsequent sell-off. Meanwhile, Tata Motors (TTM) tested some long term support from 2013 and then finished higher on the week. Further upside is likely as a result of this bounce, although resistance will likely be provided by the 200 WMA, if not lower. Infosys (INFY) also posted a winning weak after testing support. The fact that the reversal came a bit above the June-July low was evidence that the chart is still bullish and that it may again retest recent highs.

This week has more bearish potential as Venus conjoins Mars on Tuesday. I would not rule out a rebound here but the planets do not strongly support this notion which is indicated by the technicals. Therefore, there is a greater than average chance for declines on Monday and Tuesday, with even Wednesday looking slightly bearish too. I would be surprised if stocks fell on all three days, but I think the chances are good that they will be net negative. I would not be surprised to see 7800 tested at some point, although that would require Monday being negative. It does seem likely that we will at least see 7900 at some point. The late week looks more bullish perhaps beginning Wednesday afternoon when the Moon comes under the aspect of Jupiter. Thursday is perhaps more

bullish and Friday also. I think the Nifty will be hard pressed to finish the week higher than 8000, although I would not be shocked if it did. A lot will depend on how much damage the Venus-Mars conjunction does early in the week. I would lean towards a negative week overall.



Next week (Sep 7-11) may begin on a bearish note as Venus aligns with Saturn on Monday and Tuesday. However, the rest of week looks more positive as Jupiter aligns with Neptune. Although this doesn't look like a high probability bullish week, it seems more likely that we could get a rebound of some kind. The following week (Sep 14-18) is Fed week. The early week planets look bearish as Mars enters Leo on Tuesday. Some upside is possible midweek on the Mercury-Venus alignment but the late week sees Mercury turn retrograde while aligning with Saturn. I would retain a bearish bias here so a retest of 7800 is possible. Late September also looks bearish as Mars aligns with the Sun and Saturn on the 23rd and 24th. A bounce is possible after that date, but another dip is likely in the second week of October as Mercury conjoins Rahu and aligns with Saturn. I don't know if this will be a lower low but it is certainly going to block a rebound from getting too far. The second half of October is likely to see some upside but since Venus enters Virgo on 3rd November this rally will again be cut short. My general expectation now is for a significant low in November, possibly as low as 6900. After that, we should see some gains as Jupiter conjoins Rahu. The rebound should extend into January but it will likely stop well short of new highs. Possibly closer to 8000-8300. Another leg lower will likely begin by February and continue into April. This looks fairly nasty and will likely retest any Q4 lows. It could well put in a lower low as well.

Technical Trends	**Astrological Indicators**
Short term trend is DOWN (1 week)	bearish (confirming)
Medium term trend is DOWN (1 month)	bearish (confirming)
Long term trend is UP (1 year)	bearish (disconfirming)

Currencies

The Dollar went on a rollercoaster last week and eventually finished higher on the positive GDP revision. The USDX plunged early in the week on the China fears, but then recovered strongly to finish higher on the week at 96. The Euro was down on the week while the Rupee Index rose above 66. I thought the Dollar would likely the tag the 200 DMA at some point but the extent of Monday's decline was surprising as it touched longer term support at 92.5. The Dollar then bounced but stopped just short of its 20 and 50 DMA. The weekly chart suggests that the bullish outlook for the Dollar is still intact. Maybe the currency markets haven't given up the notion of a Fed hike in September just yet. While Monday's low was a little lower than previous lows, the weekly candle does look bullish. Weekly stochastics is in a bearish crossover, however, so the trend is still up for grabs to some extent. The Rupee meanwhile logged a gravestone doji after its early week rise to 67. This is a candle that suggests a reversal lower. It is overbought on a weekly basis in any event (RSI=73).

This week looks bullish for the Dollar, especially in the first half of the week. We could get a quick run up to the 98 area near the previous interim highs. The late week looks more bearish, however, so overall the Dollar may only gain modestly. Next week is likely to begin on a positive note for the Dollar as Venus aligns with Saturn. I doubt this will produce a significant gain but it may maintain the Dollar above the 20 and 50 DMA moving average. More upside is likely during Fed week (Sep 14-18) as Mars enters Leo. One would think that if the Fed was going to hike, the Dollar should rally strongly on the news on the 17th. And yet I do not see that kind of planetary alignment for that week. It still looks broadly bullish but nothing stands out. That may or may not be a comment on what the Fed ultimately decides to do. Nonetheless, there is a plausible astrological case for more Dollar upside into the fourth week of September and the Mars-Saturn aspect on the 24th. Another gain is likely in the second week of October which could be push it closer to the 100 level once again. A possible retest of the high may also occur in early November when Venus again conjoins Mars, this time in the company of Rahu. After that, I think the Dollar will retrace through December and January. A retest of last week's low of 92.5 is quite possible and it could well fall further than that. The Dollar will rebound by February and the rally will continue through much of 2016. A significant high is possible in Q3.

Technical Trends (Dollar) **Astrological Indicators**

Short term trend is UP (1 week)	bullish (confirming)
Medium term trend is UP (1 month)	bullish (confirming)
Long term trend is UP (1 year)	bullish (confirming)

Crude oil

Crude rebounded strongly as word got out of a possible emergency OPEC meeting at the request of the beleaguered Venezuelan government. WTI crude gained 10% on the week and finished above $45 while Brent touched $50. As expected, we did see more downside in the early going as Monday saw a break below $40 down to $38. Buyers moved in after that which roughly corresponded with the Sun-Jupiter conjunction. The big gains came at the end of the week, however, as the resistance level was tested. Crude will looks vulnerable to further downside, but for the moment it is enjoying this bear market bounce. It is no longer oversold here so we will have to see how much strength the bulls have. If it can close above $45, then the next resistance level would be $53 which matches the 200 DMA. That would be a natural place for a short squeeze rally to culminate before fading. Support is probably near Thursday's close at $42.59. Any move below that level would increase the likelihood of a retest of the previous low of $40 and below.

This week could see another weekly gain but it looks less likely than last week. Bottom line, I think this rally only has a limited shelf life and it could run out very soon – possibly this week. The early week could see an extension of the gains as Venus conjoins Mars. This is not a strongly bullish combination but since it occurs in a water sign (Cancer) we could see some upside. The late week could bring some profit taking on the Mars-Node alignment. Overall, I would still lean towards a bullish outcome here but not by much. $53 could be a stretch for WTI this week so bulls may have to content themselves with a lower high. Next week could begin bearish on the Venus-Saturn alignment but there is some hope for gains in the second half. I would not rule out further upside but it looks more like a week of consolidation. We shall see. Crude is likely to retest the lows of $38 in the second half of September. Whether we get lower lows is hard to say. It's possible. October should bring a significant rebound, quite possibly to the 200 DMA. Another dip is likely in early to mid-November but I'm less inclined to think it

will be a lower low. After that, a stronger rally will take hold and last into January. But February to July looks somewhat bearish so I would think crude is likely to remain depressed in price for an extended period. At this point, it's hard to say if this will produce lower lows in 2016.

Technical Trends	**Astrological Indicators**
Short term trend is UP (1 week)	bullish (confirming)
Medium term trend is DOWN (1 month)	bearish (confirming)
Long term trend is DOWN (1 year)	bearish (confirming)

Gold

The gold rally came to an abrupt halt last week as Chinese markets regained their footing. Gold fell 2% on the week closing at 1132. While I had been bearish generally, I thought we would get more upside in the first half of the week. This proved to be mistaken as prices fell through the week only to bounce on Friday. So is the gold rally finished? The technicals are leaning towards more downside now as former support at 1140 did not hold last week. 1140 is now resistance. Prices reversed near 1170 so that is likely going to be a more difficult resistance level for bulls as there was a lot of buyers above that level in the spring who may want to get out. Bulls need to keep prices above the 20 DMA at 1110-1120 in order to keep this rally going. Any trades below this level would likely invite a retest of 1080. Bulls can make a case that last week's decline was simply working off the overbought condition as RSI touched 70. The rally will become more significant if gold can close above 1170. This would put it within striking distance of the 200 DMA. Of course, previous rallies have generally faltered at this level so even a recapturing of this line would not be sufficient for longer term bulls to pop the champagne corks. The bear market in gold will only end if we get a higher high (or higher low) – i.e. above 1230. Until that happens, I think it makes more sense to be skeptical of any upside.

This week leans bearish again as the early week Venus-Mars conjunction looks unfavorable. Mars is less negative than Saturn typically is for gold so the damage may be relatively minor. There is also the possibility of a rise on this pairing. Tuesday's Sun-Neptune opposition is another potential source of negativity so I would think this could load the dice in favor of the bears in the first half of the week. Some recovery is possible at midweek but Friday's Moon-Saturn opposition leans a little bearish. I think the chances are good that we will test support at 1110 although I'm not quite convinced there is enough negative energy to break below it. We shall see. Next week looks bearish to start as Venus returns to normal forward motion while aligning with Saturn. The rest of the week could be more positive, however, so I would not be surprised if gold finished higher. I think downward pressure on gold will increase in the second half of September as the Sun approaches its conjunction with the north lunar node (Rahu) at the time of the solar and lunar eclipses. I think gold will remain vulnerable to declines for the next several weeks. It is quite possible that 1080 will be broken in September and there is a good chance that 1000 will be tested by October.

Technical Trends	**Astrological Indicators**
Short term trend is DOWN (1 week)	bearish (confirming)
Medium term trend is DOWN (1 month)	bearish (confirming)
Long term trend is DOWN (1 year)	bearish (confirming)

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